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# SHOWDOWN IN THE ORIENT

T. A. Bisson

*The views expressed in this pamphlet are those of the author, and do not necessarily reflect the opinions of the Foreign Policy Association.*

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# SHOWDOWN IN THE ORIENT

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## CHINA'S SUPPLY LINES

## Introduction

As 1940 opened, the world was adjusting itself to the existence of two great areas of armed conflict: one on the European continent, the other on the eastern shores of the Asiatic mainland. The renewed clash of arms between major European powers had been accepted with a lingering sense of incredulity, despite the warning preludes in Manchuria, Ethiopia, Spain and China, and Hitler's bloodless conquests in Austria and Czechoslovakia. Eight years separated the Mukden "incident" of September 18, 1931 from Germany's *Blitzkrieg* in Poland, but they marked the preliminary and later stages of a single unified process. For the first time, even if too late, it was acknowledged that successive acts of unrestrained aggression had led to international anarchy.

After September 1939 the march of events in Europe claimed American headlines and popular interest. Nothing less than a speech of unprecedented frankness from the American Ambassador at Tokyo, or the expiration of the Japanese-American trade treaty, could secure a front-page newspaper lead for the Far East. Yet the dimensions of the tragedy unfolding in eastern Asia far surpassed anything that had developed on the European fronts.

Nearly 600 million people were directly engaged in the Far Eastern conflict, and were experiencing the disastrous effects of a prolonged test of arms. The losses of the war in China, already in its third year, were becoming comparable to those of the World War of 1914-1918. By March 1940 Japanese casualties—killed, wounded and diseased—approximated one million men, while China's losses on the war fronts were approaching three million. To these casualties suffered by the combatant forces must be added the enormous toll levied on China's civilian population. Estimates of Chinese civilian casualties range between one and four million, while refugees number at least 40 million. The European war began under the shadow of the second greatest conflict in modern times.

The World War of 1914-1918, by contrast, had left the Far East relatively untouched. Japan's military-naval operations against the German forces at Tsingtao, as well as the occupation of the German archipelagoes in the Pacific, were on a minor scale and had been virtually concluded by the end of 1914. China did not join the war until 1917; its direct contribution to the Allied cause mainly consisted of labor battalions sent to France. Although the Allied inter-

vention in eastern Siberia involved important political issues, the scope of the military operations in the Russian maritime provinces was relatively limited. During the entire period Japan and China, so far as actual fighting was concerned, were closer to the status of neutrals than belligerents. Their industry and trade mushroomed under war demands; for Japan, in particular, the later years of the World War were marked by unprecedented economic expansion. Since 1937, on the contrary, the economies of Japan and China have been subjected to the strains imposed by large-scale warfare, with all that this entails in direct destruction and general maladjustment.

In one respect the outlook in the Far East might be considered more favorable than it was a quarter of a century ago. Japan's declaration of war in August 1914 had linked belligerent operations in Asia to those in Europe, and created a single world-wide conflict. Even though the Far East was relatively little affected, a settlement in that area had to await a decision on European issues. Today the Sino-Japanese conflict is proceeding in comparative isolation. The European belligerents are officially neutral in the Far East, and *vice versa*. There is at least the possibility that the war in China, under certain conditions, can be dealt with and settled as a localized problem. It has already reached the stage at which the action of outside powers, notably the United States, can exert a determining influence on the immediate course of developments. The period of time within which a constructive approach to Far Eastern issues can still be made, on the other hand, may prove very short. It cannot be foreseen how long the conflicts in Europe and Asia, subject from day to day to unpredictable changes, will continue to remain separate. As time passes, the forces tending to merge them into a common war will probably increase in strength. A critical turning-point in Far Eastern affairs has thus been reached. Unless a general settlement can be worked out speedily, growing antagonisms between the major powers are likely to expand the present limited scope of Sino-Japanese hostilities.

Yet a constructive settlement in the Far East will not be easy to achieve. Compromises and half-measures, tempting as they may seem, are unlikely to yield fruitful results; under present circumstances, they might be the immediate prelude to wider conflict. Stability in the Far East cannot be built on a China partially or wholly subjugated, nor can it rest on a crushed and humiliated Japan. A sound and effective settlement must buttress China's ability

to maintain its national independence, and destroy the faith of the Japanese people in their aggressive leaders. To attain this end, the Western powers may have to offer Japan an economic alternative more attractive than the gains it is likely to derive from continuance of its exhausting struggle in China.

## I. STALEMATE IN CHINA

China's fight for national survival and independence has been well termed one of the miracles of our day. In the summer of 1937, when hostilities at Shanghai unmistakably signaled the beginning of a large-scale conflict, few observers dared predict that the Chinese armies could hold the field for more than a year. Today the struggle is approaching the end of its third year, and is being waged on a scale far larger than in 1937. The theatre of war has assumed continental proportions. From Inner Mongolia to the Indo-China frontier, in fifteen of the provinces of China proper, military operations are virtually a daily occurrence. Bombing raids from the air carry the war into five more of the Chinese provinces, where the military and economic bases of nationalist China are primarily concentrated. Only Sikang, Chinghai and Sinkiang, in the westernmost reaches of China, have remained unscathed during the thirty-two months of conflict.

The geographical scope of current hostilities reflects a degree of nation-wide resistance to foreign encroachment which is a new phenomenon in China's modern history. To appreciate the change in this respect, it is only necessary to recall the swift and overwhelming defeat suffered by China in the first Sino-Japanese war of 1894-1895. During the intervening period China has gradually won for itself some of those basic prerequisites of a modernized state which Japan so rapidly acquired after 1870. Almost from the beginning, Japan had enjoyed the major asset of national unity. By contrast, China did not reach the threshold of effective political unification until 1937. Yet Chinese nationalism had slowly matured in the preceding generation of foreign pressure and internal strife.

This new nationalism, fostered to some extent by successive political humiliations, was also built on the more solid foundation of progress in elementary and higher education, the spread of the written vernacular, the growth of a modern press, and the use of radio and airplane. The techniques of an industrial economy were

mastered by a steadily increasing number of the population. When the test came in 1937, a group of trained administrators, engineers and business men was available to deal with the intricate problems of economic organization inherent in the conduct of modern warfare. China's problem in wartime economics was simpler than that of an advanced Western state; its decentralized, primitive economy cushioned the shock of regional blows, and reduced the possibility of a general collapse. Yet the relative success achieved in transferring industry to the undeveloped southwest was a significant indication of technical progress. The new elements of a modern Chinese state had appeared gradually over several decades; since 1937 they have constituted an essential factor in China's ability to withstand the more efficient and highly mechanized Japanese attack.

China's basic military strategy, defined by one observer as "giving space for time," was qualitatively different from that imposed on the Japanese high command. The Chinese leaders counted on the advantages of their country's vast area, immense population and man power, and relatively self-sufficient economy. Their primary need was to prolong the war indefinitely, in the hope that the more delicately geared economic mechanism of Japan would eventually crack under the strain.

By yielding ground when the pressure became too great, yet making each advance as costly as possible to the Japanese forces, the maximum gains of a defensive war could be realized. The number of military fronts would be multiplied, thereby placing an additional burden on Japan's more limited man power. As the invading forces advanced into the interior, their communication lines would become longer and more vulnerable. The advantages of the defender would increase, making more possible a firm defense stand and effective counter-attack. At some point the invader's advance would have to be brought to a halt. The still unoccupied area would have to constitute an economic-military base adequate to sustain the Chinese armies in the field. This region, moreover, could not allow its contacts with the outside world to be severed. Sufficient resistance would also have to be continued in the unoccupied areas to prevent their political-economic consolidation by Japan. Above all, national unity and popular morale would have to be maintained in the face of huge losses, a series of retreats, and only occasional victories.

For Japan, on the other hand, strategy dictated the achievement

of as rapid and decisive a victory as possible. The longer a final decision was postponed, the less would be the certainty of eventual success. The crushing of the organized Chinese armies, or else the infliction of defeats so disastrous as to lead to capitulation by the Chinese government, represented the supreme objective. If this aim were not achieved in the early stages of the war, a much more onerous test of endurance would result. It would then become necessary to drive the Chinese forces into the remote interior, cut off their routes of commercial access to foreign countries, and prevent the organization of a new economic base for maintenance of continued resistance. Japanese superiority in the air could greatly facilitate the attainment of these ends, but the decisive rôle would still have to be played by infantry operations far removed from the accessible coastal regions. Parallel with these operations, the areas already occupied by the Japanese forces would have to be thoroughly pacified, new political organs established, and economic enterprise revived and expanded. If pacification could be quickly and effectively accomplished, the drain on Japan's limited economic resources would be that much lessened.

#### PHASES OF THE WAR

The Shanghai hostilities, occurring at the outset of the war, exerted an important influence on later developments. Within China morale was reinforced by the dogged stand of the Chinese armies. Political unity here received its first concrete expression on a large scale, and was correspondingly strengthened. Three main groups, from the southern, central and northern areas, were represented in China's national front. In September 1936 the forces of Generals Li Tsung-jen and Pai Chung-hsi, located in Kwangsi province, had concluded an agreement with Generalissimo Chiang Kai-shek, leader of the National Government. During the early months of 1937 the details of a similar agreement were being worked out with the Chinese Communists, headed by Mao Tse-tung and Chu Teh. These three groups, the decisive military-political forces of the country, wielded sufficient combined strength to bring all lesser semi-independent elements within the national fold. During the first half of 1937, this political front had still retained a tentative and provisional character. The bitter fighting at Shanghai tended to eliminate all remaining doubts and hesitations. Army units from many different

provinces took part in the common effort to defend the Shanghai area. For the first time Chiang Kai-shek threw the full strength of his crack divisions into action against Japanese troops. No other example could exert such a compelling force. National unity was consolidated, and foundations were laid for prolonged resistance.

The test came almost immediately, for the military results at Shanghai threatened to prove disastrous. For three months the Japanese command had held the best sections of the Chinese regular armies under its land and naval guns, and under bombardment from the air. When the Shanghai defense finally broke in November 1937, Japan's forces raced through to Nanking in less than a month. Chiang Kai-shek's best-trained divisions were shattered, and had to be withdrawn for a period of recuperation. Would Japan be able to dictate a settlement in the wake of this overwhelming military victory? Until mid-January the issue trembled in the balance. The Japanese government used every avenue of approach at Hankow, China's provisional capital, in the effort to induce the Chinese authorities to capitulate. When Chiang Kai-shek refused to admit defeat, the possibility of a swift Japanese triumph at slight cost receded into the background. China's military-political strength had proved sufficient to transform the struggle into a war of attrition.

The second phase of the war ended nine months later, in October 1938, with virtually simultaneous occupation of Canton and Hankow by the Japanese forces. It had covered a period twice as long as the Shanghai-Nanking operations, and had been much more costly for Japan in men and materials. At Taierhchuang, in April, miscalculation of Chinese strength had led to a sharp Japanese defeat, which had strongly reinforced China's morale. Neither at Hsüchow nor at Hankow had Japan's military forces been able to surround and crush the organized Chinese armies. The loss of Canton and Hankow, nevertheless, represented a serious military setback for China, and again the prospects of a Japanese-dictated settlement emerged. In January 1938, following China's earlier rejection of peace terms, Premier Konoye had formally stated that Japan would not treat further with "the Chiang Kai-shek régime." After the fall of Hankow, therefore, no direct negotiations for a settlement occurred. Efforts by Wang Ching-wei, a veteran Kuomintang leader, to persuade his colleagues at Chungking to surrender led to a brief struggle within the Chinese government. When these efforts failed, Wang fled with a few close adherents to Indo-China where, in

December, he supported the set of Japanese peace terms announced by Premier Konoye. The issue was closed by a statement from Generalissimo Chiang Kai-shek which rejected Japan's terms as equivalent to the reduction of China to a colonial status.

For the greater part of 1939, during the third phase of the war, Japan's military forces did little more than mark time. A relatively slight advance occurred in March, with the occupation of Nanchang. Later military operations in the same area, directed toward the capture of Changsha, were decisively repulsed in October. In Hupeh province, as well as in southwest Shansi, Japanese offensives aimed at China's northwestern base were uniformly turned back. Despite fairly extensive campaigns, no real progress was made in the pacification of so-called occupied areas. The zone of effective occupation was still mainly restricted to the larger cities and surrounding regions, and to thin strips along the railway lines.

Toward the end of 1939 Japan's high command turned its attention to south China, where hostilities on an extensive scale rapidly developed. A Japanese drive northward from Canton met with a severe defeat. In Kwangsi province, however, Japan's occupation of Nanning cut an auxiliary line of Chinese communication with French Indo-China. Japanese bombing planes, based on Nanning, also succeeded in conducting raids on the Indo-China railway into Yunnan province, one of China's main routes of access to the outside world. Yet Japan had incurred heavy casualties during the large-scale fighting around Nanning, and in February 1940 the Japanese command withdrew part of its forces from Kwangsi and announced that offensive operations were being curtailed. The new military-economic base which China had established in the interior had proved its strength.

#### CHINA'S NEW WAR BASE

Before the outbreak of war in 1937, the Chinese authorities had foreseen that the southwestern provinces, and especially Szechuan, might some day become the seat of government and center of resistance in a military conflict with Japan. Certain advance preparations had been made with that possibility in view. During 1935-1936, as a result of the anti-Communist campaigns, the central government had increased its authority in several of the southwestern provinces, notably Kweichow and Szechuan. A number of strategic highways,

linking the capitals of these provinces, had been constructed. In the spring of 1937 public motor transportation had been inaugurated on the Chungking-Kweiyang-Kunming highway, joining the three provinces of Szechuan, Kweichow and Yunnan. For some years an air service had run from the coastal cities into Szechuan. Efforts were also being made to link Szechuan with the northwestern provinces by a highway to Sian, the Shensi capital.

These developments foreshadowed the emergence of a Chinese military-economic base in the back country which became a reality in 1938-1940. Its strategic center embraces two large areas, one in the southwest and the other in the northwest. The southwestern provinces are Szechuan, Sikang, Kweichow and Yunnan; the northwestern provinces comprise Chinghai, Shensi, Kansu and Ninghsia.<sup>1</sup> These eight interior provinces, running in almost a straight north-south line, form the inner core of China's present defense system, relatively impregnable to Japanese attack. Both ends of this line, however, swing out in a huge arc toward the coasts. The southwestern wing extends through Hunan, Kiangsi, Kwangsi and Kwangtung provinces to the environs of Canton. In the northwest, guerrilla activities and control spread out through Shansi, Hopei and Shantung provinces to the coast.

China's defense base thus consists of much more than the strategic inner provinces. It also draws to a considerable degree on the population and resources of the provinces reaching out in a vast semicircle to the coastal regions. Within the areas which are contributing directly to the Chinese defense is a population that may be conservatively estimated at 250 million. This region is virtually self-sufficient in foodstuffs, a position that has been fortified by the bumper crops of 1938-1939 in the south-central provinces. Agricultural raw materials, with the single important exception of cotton, are abundant. Favorable climatic conditions for the growth of cotton exist in the southwest, and its production is expanding under special government stimulus. Coal and iron reserves, although limited, are adequate to support a moderate degree of industrial development, especially if transport facilities can be improved. China's major resources of non-ferrous metals, of which tin, antimony and tungsten supply export surpluses, are concentrated in the southern provinces. The region also produces some of

1. The province of Sinkiang, in China's far west, has also made important economic contributions to the Chinese defense.

China's leading agricultural exports, such as tung oil, bristles, and hides and skins.<sup>2</sup>

The development of the southwest, already in progress before 1937, has taken on new proportions since the war. Early in 1938 many of the government offices were removed to Chungking, Szechuan's river port; later in the year, the political capital was transferred to Chungking. In 1937-1938 the faculties and student bodies of a majority of the Chinese universities, as well as of many high schools, were moved to the southwest, mainly Szechuan and Yunnan. Some sections of this educational hegira were diverted to Shensi, in the northwest. Millions of refugees, many with various degrees of training and skills, streamed into the interior. A smaller but yet significant proportion of Chinese industry, including productive equipment, managerial and technical staff, and skilled workers, joined in this westward migration. At Hankow, where careful preparation was possible, much of the machinery of the local factories was dismantled and transported up-river into Szechuan; as a last step, not only the factory workers but even the local 'ricksha pullers were moved into the interior.

In the face of great difficulties, including destructive air raids, the building of an economic base for China's war effort has been steadily pushed forward in the southwest. As early as November 1938, seven cotton mills with a total of 130,000 spindles were operating in Szechuan. A network of industrial cooperatives has been developed to aid in supplying the demand for consumers' goods. Local arsenals, scattered throughout the southwestern and northwestern provinces, are producing the bulk of China's requirements in small arms and ammunition. A machine tool center has been established in Yunnan province. Large-scale agricultural reclamation and irrigation projects are providing areas of land settlement for refugees. Highway and railroad construction, which is progressing throughout the southwestern area, is gradually overcoming the serious deficiencies of local transport. The highway from Chungking to Burma, via Kweiyang and Kunming, constitutes the life-line of interior communication in the southwest, as well as an important means of access to the outside world. Preliminary work on a new Szechuan-Yunnan railway, scheduled for completion in 1941, has been initiated. China's commercial airlines are providing

2. For details, cf. Ch'ao-ting Chi, "War-Time Economic Development in China," Institute of Pacific Relations, *Inquiry Series* (in manuscript).

an equally valuable auxiliary contact with outside countries. Since the war began Chungking has been successively linked by air to Hongkong, Hanoi, Rangoon and Moscow.

The centers of guerrilla resistance, particularly in Shansi and Hopei provinces, form a novel yet significant adjunct of the north-western flank of China's military base. In these two provinces, over wide sections of the interior, the Communist leaders of the Eighth Route Army have instituted a series of notable agrarian reforms. Land rents and usurious interest rates have been lowered, and a graduated taxation system introduced. In villages and towns self-governing councils, elected by the people, have been established; in many cases even the *hsien*, or county, magistracies have become elective offices. On this democratic basis a broad popular movement of resistance has been organized in the northern provinces. Hundreds of thousands of local partisans, mobilized in fighting detachments, have first served as auxiliary forces and then developed into trained guerrilla units. Their operations have maintained Chinese control over most of the region off the railways, restricted effective Japanese occupation to a few of the larger cities, and prevented successful economic exploitation of the hinterland in the northern provinces. On a lesser scale this movement has spread out into Shantung, Honan and Anhwei provinces; an important secondary center of guerrilla strength has also developed in the lower Yangtze Valley, taking in the Shanghai-Hangchow-Nanking triangle. As a result, Japan has been entirely unable to effect political-economic consolidation of the occupied territories.

The reforms which underlie the guerrilla successes are indispensable to full mobilization of popular resistance, yet are still opposed by the landlords and gentry in the Kuomintang-controlled areas. Maintenance and consolidation of the Kuomintang-Communist united front, as well as victory in the struggle against Japan, may eventually depend on the Kuomintang's willingness to extend the principles of this minimum program of economic and political reform throughout the country.

#### PROSPECTS ON THE WAR FRONTS

These various factors suggest the potentialities, as well as the limitations, of China's new military-economic base. Its primary asset is an inexhaustible man power, which can be harnessed to

such projects as the building of the Yunnan-Burma highway, or can be drawn upon to keep vast armies of regular troops, guerrilla units, and partisans in the field. The rich agricultural resources of the region, combined with the relative self-sufficiency of its economy, serve to mitigate the economic hardships imposed on the population by the war. China's military strategy has been geared to the country's economic limitations. An essentially defensive campaign, fought on Chinese soil by armies only partially supplied with expensive military equipment, reduces the excessive costs associated with modern warfare. China's armed forces are today larger, and undoubtedly better staffed and organized, than at the beginning of the war. They are supplied, so far as small arms and ammunition are concerned, almost entirely by local production.

China's inability to equip its forces with heavy arms, on the other hand, points to the major handicap imposed on its war effort. Large-scale industry has hardly begun to develop in the southwest, and can supply neither artillery nor airplanes to any considerable extent.<sup>3</sup> In order to obtain heavy munitions from abroad, China must keep its routes of communication open, and maintain an export trade of fairly large dimensions. Foreign credits already secured are being serviced, to a considerable extent, by the export of such Chinese products as tung oil, tea, silk, tin and antimony. Unless all sources of outside supplies were rigorously cut off, however, it is not at all certain that China's resistance would collapse. Loss of the outlet afforded by the Indo-China railway would mean an additional handicap, but would hardly prove vital so long as considerable amounts of munitions could be obtained from the Soviet Union. With adequate equipment for the Chinese armies, China's high command might conceivably be able to break the deadlock by a concerted offensive against the widely scattered Japanese forces. Plans for a general attack, to be launched following signs of Japanese exhaustion, have played a prominent rôle in Chinese long-term strategy. That China will obtain large quantities of heavy armament in the near future may be dismissed as improbable. Meanwhile, the supplies already accumulated, such additional amounts as may be secured abroad, and the resources of

3. An aircraft plant which is producing about 300 planes a year, however, is maintained by an American firm in the southwestern area; and considerable numbers of Soviet technicians are assisting the Chinese defense in aviation and artillery work.

China's own economic base will probably suffice to confirm the existing military stalemate.

The relative inaccessibility of China's war base provides the major obstacle to a decisive military triumph for Japan. On most fronts Japan's forces have already penetrated so far into the interior as to have reached the point of diminishing returns. In the southwest, the geographical impregnability of China's defense is most pronounced. Kwangsi province constitutes merely an outer fringe of this flank of the Chinese base. Beyond Nanning lies a mountainous terrain which guards the approaches to Yunnan province for hundreds of miles.

The northwestern sector of China's military base is somewhat more accessible but here, too, geography imposes severe handicaps on an invading army. Shensi province, the strategic heart of the region, is protected by the broad sweep of the Yellow River along the whole of its western border. No bridges span the river, so that an invading force must be able to establish and maintain control on both banks of any crossing unless it is willing to court disaster. A successful Japanese advance to Sian, capital of Shensi province, would reap high rewards. It would split off the northwestern provinces from the southwest and threaten Lanchow, capital of Kansu province and terminus of the overland route along which military supplies from the Soviet Union are transported. Inability of the Japanese forces to obtain full control of Shansi province—which would constitute the Japanese rear in the event of an advance into Shensi—has thus far balked any serious attempt to effect a crossing of the Yellow River. Japanese drives into southern Shansi have been uniformly turned back by the Eighth Route Army, operating in conjunction with central troops led by General Wei Li-huang. Thorough pacification of Shansi province, the stronghold of guerrilla activities in the north, is required before any large-scale invasion of the northwest can be undertaken.<sup>4</sup>

The strategic flanks of China's inner line of defense thus appear reasonably secure from invasion. An attack on the Chinese center, up the Yangtze River through the gorges, may also be ruled out by reason of the geographical obstacles involved. Still another line of Japanese advance, not so vital to the Chinese defense system, has

4. Recent reports of armed conflicts between Kuomintang and Communist troops in Shansi point to a serious problem. If the united front should be broken, the possibility of a continued successful defense of the province would be gravely threatened.

already been attempted. China's position would be somewhat weakened if Japanese forces could achieve control of the full length of the Canton-Hankow Railway. The rich interior area between Canton and Hankow, traversed by a 400-mile stretch of the railway still in Chinese hands, is an important economic adjunct of China's wartime base. During recent months China's armies have turned back Japanese offensives launched from both ends of this railway. In October a Japanese drive on Changsha was thrown back in disorder, while in January a drive along the railway northward from Canton was similarly routed.

In several contingencies, either China or Japan might succeed in breaking the present military deadlock. A Chinese victory is conceivable on one condition: that adequate supplies of heavy munitions be obtained from abroad. It does not appear likely that this condition will be satisfied, at least in the immediate future. On the other hand, there is slight prospect that Japan can penetrate China's interior defenses at any vital point, or block all routes of Chinese supply from the outside. The possibility always exists, however, that China's morale and will to resist might crumble under the weight of increasing difficulties. In this case the chances of a rapid Japanese victory would be greatly enhanced. Thus far Japan has failed to break Chinese national unity—the crux of China's defense problem. Wang Ching-wei, the single major defection, has proved unable to carry with him any significant number of malcontents or defeatists. The Kuomintang-Communist entente, never wholly accepted by the Chinese conservatives, is perhaps the most vulnerable sector of China's national front. Since the European war Japan has redoubled its efforts, under somewhat more favorable auspices, to split the Kuomintang-Communist front. This tactic can also be made to appeal to the Western powers which fear communism, and thus facilitate Japan's attempt to obtain a negotiated "peace." Should the stiffening provided by the Communists be removed from the Chinese defense, Japan might find it that much easier to reach a compromise agreement with the Kuomintang.

One further contingency remains to be considered. Chinese strategy has been ruled by the conviction that Japan could not stand the gruelling test of prolonged warfare. Sooner or later, it was expected, Japan would collapse under the strain of attempting to conquer a country as large as China. How far have these expectations been fulfilled?

If the strength and determination of Chinese resistance be termed a miracle, the staying power of Japan's economic system has proved the second most surprising feature of the Sino-Japanese conflict. During the past thirty-two months, Japanese economy has shouldered burdens that might well have been expected to invite collapse. Save possibly in mechanized *matériel*, the demands of the war in China have very nearly equalled those which conflict with a first-class power might have imposed. For more than two years, Japan has maintained an expeditionary force of at least 800,000 men in China proper, not counting the additional 250,000 or 300,000 troops in Manchuria. Military casualties have gradually subtracted another one million men from the Japanese labor force. Japan's productive system, with its labor power thus drastically reduced, has been required to supply the armies in the field with munitions, food supplies and other equipment. Its not inconsiderable merchant marine has been taxed to the limit by the effort of transporting munitions and supplies to the various military fronts in China.

The relative success achieved by Japanese economy under such handicaps may be attributed to several factors. During the 1932-1936 period, Japan's industrial base was strengthened and expanded. In the field of light industry, where Japan achieved its first industrial successes, further progress was made. During these years Japan attained first place in the volume of world exports of cotton piece goods. At the same time, heavy industry accounted for a steadily increasing proportion of Japan's total production, until by 1937 it ranked above light industry. Despite these advances, Japan's industrial structure still retained a second-rate position when measured by such vital indices as total consumption of iron, steel and coal, size of manufacturing establishments, or number of employees per factory unit. These factors were accentuated by Japan's overwhelming dependence on foreign sources for raw materials.

Only the multiplicity of devices which are concealed in the comprehensive term "controlled economy" has enabled Japan to weather the economic storm of the past three years. In January 1937, seven months before the war began, exchange control had already been introduced. The Japanese authorities have since tightened the exchange control restrictions on several occasions. During the closing months of 1937 additional measures of economic control

were enforced. The gold reserves were revalued, and provisions adopted enabling the government to mobilize securities held abroad by Japanese nationals. Laws were passed for the control of exports and imports, directed especially toward reducing the importation of "non-essential" commodities. Early in 1938 the Diet passed a comprehensive National Mobilization Act, the sweeping terms of which virtually empowered the government to dictate all phases of economic activity, including capital investment, construction of new plants, prices, and wages. The various provisions of this law, under the discretionary authority it conferred, have since been applied by a series of imperial ordinances.

To meet the demands of the war, staggering budgets averaging roughly four times the pre-war figure have been approved by the Diet. By the end of October 1939 domestic bond issues aggregating nearly 10 billion yen had been issued to cover budgetary deficits incurred during the war. Japan's national debt, standing well above 20 billion yen, had approximately doubled and exceeded the country's annual national income by a considerable margin. Of the ¥9,876 million in bond issues, ¥2,477 million, or 17.8 per cent, was unassimilated, representing the increase in the Bank of Japan's holdings of government securities. Note circulation of the three government banks had increased from ¥1,963 million on October 31, 1937 to ¥3,238 million on October 31, 1939. The inability of Japan's productive system to keep pace with these inflationary stimuli was reflected in commodity shortages and a steady rise of prices. By October 1939 wholesale and retail prices, based on the official indices, had risen nearly 50 per cent above the 1936 average. These increases had been recorded despite an extensive price-fixing system, enforced by drastic penalties.

Toward the end of 1939 the growing difficulties encountered by Japan's wartime economy were reflected in a number of official restrictions on electric power consumption, beginning with the home consumption and export industries. On February 10, 1939 these restrictions were extended to cover such adjuncts of munitions production as electric blast furnaces, aluminum smelters, and machine shops. A "power famine" had been caused by the summer's drought, which reduced hydro-electric power, and an increasing shortage of coal, in turn attributable to the scarcity of skilled coal miners and reduced shipping facilities available to handle coal imports. Shortages in ordinary commodities for mass consumption,

such as rice and charcoal, were exerting a much more general effect on popular sentiment. As a result of the drought, which sharply curtailed rice yields in Korea and Japan, a shortage of rice developed in the autumn of 1939, leading to hoarding and extensive "black market" selling above the fixed price. Early in November the official price of rice was raised from 38 to 43 yen on the five-bushel unit, but by that time the farmers had already disposed of their crops. The gains were reaped by the rice dealers. Dissatisfaction with these conditions was primarily responsible for the downfall of the Abe Cabinet in January 1940, and was also reflected in the outspoken criticisms leveled at the government's conduct of the war by party spokesmen in the Diet.

Popular discontent over the economic hardships imposed by the war is obviously increasing in Japan. Wartime industry, as indicated by the "power famine," is no longer functioning smoothly. It is not yet certain, however, that the long expected breakdown of Japan's economy is at hand. Every resource will undoubtedly be mobilized by the Japanese authorities to stimulate the people's flagging spirit. A striking appeal to Japan's religio-patriotic sentiments was delivered by Emperor Hirohito on February 11, the 2600th anniversary of the traditional foundation of the Japanese nation and dynasty. In words reminiscent of Emperor Meiji's address in 1905 following destruction of the Russian fleet in Tsushima Straits, he adjured his subjects "in complete harmony" to "overcome the difficulties that the empire is now facing" and thus "to answer to the divine spirits of our imperial ancestors."

While the increasing difficulties on Japan's home front may not be the precursors of an imminent collapse, they have spurred the government to use every means at its disposal to avoid the disaster which looms ahead. The attempt to establish a central government under Wang Ching-wei in occupied China has been finally pushed to completion. This régime cannot answer Japan's military problem in China. Nor can it increase the relatively meager economic gains which Japan is now deriving from the occupied areas. It may serve to bring some additional pressure to bear against maintenance of Chinese political unity. Even more important are the possible effects it may have on the course of Japan's relations with the Western powers. A military decision on Japan's terms does not appear likely in China. Can diplomacy achieve what the sword has not won?

## II. "NEW ORDER" VERSUS "OPEN DOOR"

The test of arms between Japan and China is shaping a new future for the peoples of these countries. For China, nothing less than its survival as an independent nation is at stake. In the case of Japan, the outlines for a greater Empire have been sketched, and a whole people is laboring under the burden of fulfilling this ambitious program.

But these issues merge into the broader question of the relationship of the Far East to the outside world. If Japan succeeds in its herculean task of establishing the "new order," a regional political-economic bloc embracing much of eastern Asia will be created. The free access to this area formerly enjoyed by other nations will be severely limited. A further impetus will have been given the break-up of world economy into autarchic regional units.

If China wins, it may be assumed that its economic contacts with the outside world will be largely restored. This result, however, will occur in a new Far Eastern setting, entirely different from that which existed at the time of the Washington Conference. In all likelihood, the "open door" will no longer continue in the form of a gift bestowed by the Western powers and associated with limitations on Chinese sovereignty. For China, through the weight of its contribution in the present struggle, will be entitled to claim full sovereign rights, and the future conditions of trade and business activity in China will be determined by the Chinese authorities.

### THE "NEW ORDER" IN EAST ASIA

For nearly twenty-five years Japan has been seeking to establish some form of direct, and more or less exclusive, political and economic control over China. Certain slogans and symbols, such as "Asia for the Asiatics" or the "Monroe Doctrine for Asia" have become attached to this ambition, while certain documents—notably the "Tanaka Memorial," even if not wholly authenticated—have been generally taken to reflect Japan's underlying purposes.

In terms of concrete diplomacy, the "Twenty-one Demands" of 1915 is perhaps the most widely known of these symbols. The 1915 demands, as originally presented, would have subjected China to a large measure of Japanese control, both in government and police services and in economic affairs. In reality they never became fully

effective, and the treaties signed by China in May 1915—under stress of the demands—were later modified in some respects.

Up to 1931 Japan's attempts to dominate the Asiatic mainland remained tentative and uncertain; since then, they have been transformed into formidable and determined efforts. The establishment of Manchoukuo in 1931-1932 gave Japan a foothold and base for the fulfillment of its larger continental program. During the years preceding 1937, its statesmen occasionally indicated the substance of the broader Japanese aims.

The Amau Statement of April 18, 1934 boldly asserted Japan's "mission" and "special responsibilities" in East Asia. In categorical terms, it declared that "no country but China" could "share with Japan the responsibility for the maintenance of peace in East Asia." It warned that Japan would object to "any joint operations undertaken" in China "by foreign powers, even in the name of technical or financial assistance," and would oppose foreign efforts to supply China with military airplanes, military instructors, or loans "to provide funds for political uses."

At the time Japan could not enforce this declaration of exclusive hegemony over China. Few of its suggestions were followed by the Western powers. Nevertheless, it stood as the clearest indication, up to that date, of the monopolistic character of Japan's objectives in China.

In 1935-1936 Koki Hirota successively occupied the posts of Foreign Minister and Premier. Japanese diplomacy in China was governed by the "three principles of Hirota," summarized by their author in the Diet on January 21, 1936 as follows:

(1) China's "active and effective collaboration with Japan," in order to achieve a "basic readjustment of Sino-Japanese relations."

(2) China's recognition of Manchoukuo, as "the first step to a complete and final adjustment of the relations between Japan, Manchoukuo, and China."

(3) China's cooperation with Japan in "the eradication of Communism."

From this program it was but a short step to the "new order" proclaimed by Prince Konoye in an official statement of Japanese policy on November 3, 1938. "What Japan seeks," he declared, "is the establishment of a new order which will insure the permanent

stability of East Asia. . . . This new order has for its foundation a tripartite relationship of mutual aid and co-ordination between Japan, Manchoukuo and China in political, economic, cultural and other fields. Its object is to secure international justice, to perfect the joint defence against Communism, and to create a new culture and realize a close economic cohesion throughout East Asia. . . . What Japan desires of China is that that country will share in the task of bringing about this new order in East Asia. She confidently expects that the people of China will fully comprehend her true intentions and that they will respond to the call of Japan for their cooperation. . . . Japan is confident that other Powers will on their part correctly appreciate her aims and policy and adapt their attitude to the new conditions prevailing in East Asia.”<sup>5</sup>

Premier Konoye’s terse statement faithfully represented all the essentials of the new order. Its economic implications were merely suggested by the use of the word “cohesion.” The Foreign Minister, Hachiro Arita, outlined the economic rôle assigned to the foreign powers more fully on December 19, 1938. In a prepared statement, read to more than forty correspondents, he declared:

“The new order envisages a certain degree of economic cohesion and coordination between Japan, Manchoukuo and China, and the formation of a single economic unit. . . . Although the term ‘bloc economy’ is frequently applied to such an arrangement, the proposed unit in East Asia is by no means to be a system of closed trade. . . . However, it is most natural and proper that the two neighboring nations closely bound together by ties of race and culture—Japan, poor in natural resources and without a large domestic market, and China, still economically weak—should work together in order to ensure their independence as regards vital supplies as well as their market in times of emergency. Within those limits, it must be admitted that the economic activities of the countries which lie outside the limits of East Asia would have to be regulated.

“In other words, it is imperative that the economic activities of other powers should be subject to certain restrictions dictated by the requirements of the national defense and economic security of the countries grouped under the new order. . . . But even if these restrictions are put in force, there will remain

5. *Contemporary Japan* (Tokyo, The Foreign Affairs Association of Japan), December 1938, pp. 584-85.

vast fields of commercial and economic activity open to the people of other powers.”<sup>6</sup>

The two central elements of the new order emerge clearly from these official statements. China and Manchoukuo must become units of a political bloc guided and dominated by Japan. Economic access to this new political entity by outside powers is to be limited by such regulations as Japan may deem it necessary to impose. These two fundamentals of the new order are diametrically opposed to the internationally accepted treaty arrangements in the Far East.

#### THE “OPEN DOOR” SYSTEM

The various provisions of the Nine-Power Treaty, signed at Washington on February 6, 1922, constitute, in effect, a system designed to regulate the conduct of the powers toward China. Except for Germany and the Soviet Union, which were not invited to the Washington Conference, all the major and minor Far Eastern powers—including Japan—are signatories of that treaty.

The first two clauses of Article I deal with the basic issue of China’s political status. These clauses, commonly summed up in the term “China’s integrity,” are much more comprehensive and explicit than the abbreviated reference would suggest. The signatory powers, other than China, agreed “to respect the sovereignty, the independence, and the territorial and administrative integrity of China,” and “to provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government.”

Under these provisions, the various powers did not “guarantee” China’s integrity; they merely agreed to “respect” it. The moral obligation thus assumed has been termed a “covenant of self-denial,” and rests solely on the good faith of the signatories. No sanctions are laid down to implement the pledge, although there is a provision for “full and frank communication” between the signatories when situations arise which render discussion of the application of the treaty’s stipulations advisable.

The provisions of the Nine-Power Treaty respecting equality of commercial opportunity in China, as well as those affecting China’s integrity, are in sharp contradiction to Japan’s new order. Under the last two clauses of Article I, the contracting powers, other than

6. *Osaka Mainichi*, December 20, 1938.

China, agreed "to use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China," and "to refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States, and from countenancing action inimical to the security of such States."

These pledges were made even more specific and comprehensive under Article III which reads, in part, as follows:

"With a view to applying more effectually the principles of the Open Door or equality of opportunity in China for the trade and industry of all nations, the Contracting Powers, other than China, agreed that they will not seek, nor support their respective nationals in seeking:

"(a) Any arrangement which might purport to establish in favor of their interests any general superiority of rights with respect to commercial or economic development in any designated region of China;

"(b) Any such monopoly or preference as would deprive the nationals of any other Power of the right of undertaking any legitimate trade or industry in China, or of participating with the Chinese Government, or with any local authority, in any category of public enterprise, or which by reason of its scope, duration, or geographical extent is calculated to frustrate the practical application of the principle of equal opportunity."

Finally, there were two additional safeguards. Under Article II, the signatory powers agreed "not to enter into any treaty, agreement, arrangement, or understanding, either with one another, or, individually or collectively, with any Power or Powers, which would infringe or impair the principles stated in Article I." And under Article IV the powers agreed "not to support any agreements by their respective nationals with each other designed to create Spheres of Influence or to provide for the enjoyment of mutually exclusive opportunities in designated parts of Chinese territory."

The origins of this "open door" system may be traced back through the early trading relationships of the powers with China during the nineteenth and even the late eighteenth centuries. It was not formulated in characteristic present-day terms until 1899-

1900. Since the turn of the century, the United States has been one of the leading protagonists of the open door in China.

#### TESTS OF THE "OPEN DOOR" POLICY

Before Japan delivered its present challenge, the open door policy had been subjected to severe tests in two earlier periods. The first test occurred during an era of political upheaval in the Far East that extended from 1894 to 1905. A second crucial period, beginning with the outbreak of the World War in 1914, ended with the agreements reached at the Washington Conference in 1922. American diplomacy played a leading rôle in both crises.

A succession of rapid political changes occurred in the Far East between 1894 and 1905. China's weakness, revealed by the Sino-Japanese War of 1894-1895, led to the scramble for leaseholds by various foreign powers, including Russia, Germany, Britain and France. The "break-up of China" seemed imminent.

On September 6, 1899 John Hay, the American Secretary of State, issued a circular note, requesting assurances from the various powers that equality of commercial opportunity would be maintained within their "spheres of interest" in China. In 1900, when the Boxer Rebellion occurred, Secretary Hay declared that American policy also sought "to preserve Chinese territorial and administrative entity," thus adding the essential political corollary to the open door policy. Although the replies from the powers were equivocal in some instances, the trend toward conversion of the "spheres of interest" into protectorates was checked.

The aggressive activities of Tsarist Russia in Manchuria had meanwhile created a new threat to China's territorial integrity. Fortification of Port Arthur, new railways built across Manchuria, and direct military-political penetration threatened to result in a definitive Russian occupation and eventual annexation. For the most part, the State Department contented itself with diplomatic protests, which made but slight impression on the Tsarist officials. The Russian activities, in Korea even more than Manchuria, also came into conflict with Japan's continental ambitions. In 1904-1905 Russia's advance was halted by Japanese arms, strengthened by an alliance with Britain. The war was concluded through the mediation of President Roosevelt at the Portsmouth Conference. Although the Portsmouth Treaty, at Roosevelt's initiative, contained a provision

binding Japan and Russia to maintain equal commercial opportunity for all nations in Manchuria, the results were not entirely satisfactory. Japan in south Manchuria, and Russia in the north, tended to develop spheres of special influence which infringed full effectiveness of the open door principle.

Viewing the decade as a whole, however, the United States had attained a large measure of success for its general aims in a difficult period. The dismemberment of China, which for a time seemed inevitable, had been prevented. Even the Boxer Rebellion, which brought large foreign military forces into China and resulted in imposition of heavy indemnities, had not led to further territorial cessions. Formal Chinese sovereignty over Manchuria was maintained, and annexation by either Russia or Japan prevented.

Events in the Far East during the World War epoch offered an equally severe test to the open door policy. All the major powers, eventually including the United States, were thoroughly preoccupied with the European conflict. Japan enjoyed virtually a free hand in the Far East. Its forces took possession of the German leasehold at Tsingtao, and spread over Shantung province. Treaties with the Yuan Shih-kai régime in China, concluded as a result of the Twenty-one Demands, confirmed Japan's newly acquired rights in Shantung and consolidated its hold on south Manchuria. In 1915 the United States notified Japan that it could not recognize agreements which contravened China's integrity or the open door principle, but such protests only partially modified the Twenty-one Demands. At the Paris Peace Conference, owing to Japan's secret treaties with the Allied powers, President Wilson found it impossible to dislodge Japan from its new vantage points in China.

After 1918 the tide began to turn. In China, as well as in Siberia, Japan met with stronger and more effective opposition. These growing difficulties tended to discredit the army in the eyes of the Japanese people. The vast American naval building program proved more than Japan's financial resources could match. At the Washington Conference a broad compromise settlement was reached. In return for naval security in Far Eastern waters, Japan withdrew from Shantung province and subscribed to a comprehensive re-definition of the open door policy. Through the Nine-Power Treaty, for the first time, this basic tenet of American Far Eastern policy was formally accepted by the powers in a binding international instrument.

Looking back over these two test periods, in 1894-1905 and 1914-1922, certain characteristic methods of American diplomatic action in the Far East seem to emerge. These methods are marked, above all, by caution and slowness to take decisive action. American rights are always carefully reserved, usually in the form of diplomatic protest. A period of inaction and apparent passivity is then likely to follow. Domestic efforts, such as strengthening of the navy, are made to weight the balance. All provocative measures are eschewed. Cooperative action with other powers may be sought, but it is held within the same narrow limits. The underlying tendency is to wait for a favorable shift in the balance of forces, permitting diplomatic intervention directed toward restoration of the *status quo ante*, or as near an approximation of it as possible.

#### INTERREGNUM: 1922-1931

Both the strengths and the limitations of the Washington Conference settlement became apparent in the years that followed. In one important sphere, the open door system revealed the possibility of a constructive evolutionary development. China's continued weakness had represented a standing invitation to aggression throughout the modern era. The restraint imposed on such aggression by the open door covenants could prove effective, in the long run, only if China developed cohesion and strength.

In 1922 the signatories of the Nine-Power Treaty enjoyed a number of rights in China, notably with respect to tariffs, extraterritoriality, inland navigation, and military-naval garrisons, which constituted infringements of China's sovereignty. These special rights were the result of a long historical process which had first been given formal treaty status in 1842; they were essentially based on force, despite the alleged justification that China did not possess an effective, stable and modernized government. If China proved able to achieve national power and stability, following Japan's example during the nineteenth century, such restrictions could be removed and restoration of China's sovereign rights effected.

Marked progress along this line, stimulated by the assertion of China's strength in revolutionary upheavals, actually took place between 1926 and 1931. International conferences on tariffs and extraterritoriality, arranged by the Washington Conference, met in China in 1925 and 1926. In July 1928 the United States signed

a treaty with the Chinese government providing for tariff equality, subject to a most-favored-nation proviso. The other powers followed suit, and early in 1930 China achieved tariff autonomy. During this period a number of foreign concessions, as well as the British leasehold of Weihaiwei, were restored to Chinese jurisdiction. In 1931 the Chinese government's negotiations with Britain and the United States concerning the abolition of extraterritoriality seemed on the verge of success. New legal codes had been prepared and were partially functioning; the basic issue was already conceded; details regarding the status of Shanghai during a transitional period were all that remained to be settled. Events at Mukden on the night of September 18 checked this process.

The implications of developments between 1926 and 1931, however, retain their significance. On the political side, the open door system will be essentially modified as soon as China establishes full control in its own house. In that case China would assume unilateral responsibility for the terms on which foreign trade and investment would be conducted. The covenants of the Nine-Power Treaty—now, perhaps, the major factor in the involvement of the United States in the Far East—would thereby lapse.

The promise thus held out in 1930-1931 was rendered illusory by other forces operating in the sphere of Far Eastern international relations. Despite the concessions made at the Washington Conference, Japan had emerged from the World War in a much stronger position. It was mandatory power for the South Sea islands, which were of immense strategic, if not economic, importance. It had radically strengthened its grip on south Manchuria, by virtue of the extension of the terms of its railway concessions and the Dairen leasehold. Under the impetus of the World War, its trade and industry had greatly expanded. Moderate elements had established control over the Japanese government. Their influence persisted throughout the decade. As late as 1929 Japan adhered to the Pact of Paris, and in 1930 it agreed to the further naval limitation provisions worked out at the London Conference.

But these events were paralleled by a number of less favorable developments. On May 26, 1924 the American Congress passed a law barring aliens "ineligible to citizenship" from admission to the United States. President Coolidge addressed formal objection to Congress against passage of this statute, but to no avail. The Act was accepted with restraint by the authorities in Japan, but its

implications sank deep into Japanese consciousness, adding one more factor which tended to counteract the efforts of the moderates to reorient Tokyo's foreign policy. It stood in marked contrast to the generous American assistance rendered Japan after the earthquake of September 1923.

Nationalist resurgence in China, accompanying efforts to revise the "unequal treaties," alarmed the military elements in Japan, and led to intervention in Shantung in 1927, and again in 1928-1929, during General Tanaka's term of office. The Washington Conference treaties had established no machinery for dealing with such issues as they developed in China. As already noted, the Nine-Power Treaty merely provided, in general terms, for "full and frank communication" between the contracting powers on occasions of difficulty. Resolution IV, providing for a Board of Reference of the treaty signatories to be set up in China for investigation and mediation of disputes, was emasculated by the exceptions of certain powers at the conference; in the end, the board was never established.

The broader field of economic policy, including tariffs and trade restrictions, found no place on the agenda of the Washington Conference. Japanese economy, dependent on foreign markets, was peculiarly vulnerable to movements of international trade. The world depression which began in 1929 struck Japan with especial force. Within two years its foreign trade was nearly halved, leading to a rapid deterioration of the living standards of its people. Pressures for military expansion as a solution to Japan's economic difficulties speedily developed.

Under these conditions, another limitation of the Washington Conference settlement became apparent. The treaty provisions for naval limitation had conferred virtually unrestricted supremacy in Far Eastern waters on Japan. The lag in British and American naval construction had increased relative Japanese naval superiority in the Far East. Methods for enforcing the Nine-Power Treaty, by sanctions or otherwise, had not been established. The major Far Eastern powers—Great Britain, the United States, and the Soviet Union—were preoccupied by serious domestic problems. Short of combined opposition, however, it was unlikely that effective checks could be placed on independent action by Japan. Under stress of severe internal pressures, and facing slight possibility of external check, Japan decided that it might disregard the stipulations of the Nine-Power Treaty with impunity.

A third cycle of political upheaval in the Far East was inaugurated in September 1931. It has lasted eight and a half years, or somewhat longer than the previous crisis during the World War. Once again the open door system in China has been challenged by Japan. The test has been more severe than in any earlier period. At the very outset, Chinese sovereignty over Manchuria was completely destroyed. Since 1937 large areas of China proper have been overrun, and governments subject to Japanese control set up in the occupied territory.

Confronted with a renewed Far Eastern crisis, the United States has adhered with remarkable fidelity to its characteristic methods of action under such circumstances. The restraint and caution exhibited by American policy since 1931 have closely paralleled the attitude taken by the United States during the 1914-1922 period. Protests against successive violations of American treaty rights have been carefully registered. The diplomatic record has been kept as thorough and complete as possible, against the day of an eventual showdown. None of the traditional objectives of American Far Eastern policy has been surrendered. But there has been no precipitate action, and no irrevocable steps have been taken. In general, as during and after the World War, the United States has apparently been content to wait for a shift in the balance of forces that would permit effective intervention and a peaceful settlement of the issues at stake.

At the end of 1931 Japan's resort to a program of aggressive expansion was favored by an extraordinary combination of international factors. The European powers and the United States were preoccupied with domestic problems brought about by the world economic depression. A severe political crisis in Great Britain, which turned on abandonment of the gold standard, coincided with the Mukden "incident" of September 18. The Soviet Union's attention was focused on completion of the first five-year plan, agricultural collectivization was in its initial stages, and the defenses of the Siberian maritime provinces were relatively undeveloped. China was in the throes of civil strife, with rival governments established at Canton and Nanking, while the provinces of the Yangtze Valley were devastated by flood. Not since the World War had Japan enjoyed comparable freedom of action in the Far East.

Under these circumstances the United States, during the early stages of the Manchurian crisis, devoted its main efforts toward placing on record a strong reaffirmation of American treaty rights. Secretary Stimson's non-recognition statement of January 7, 1932, couched in terms very nearly identical to those of the protest against the Twenty-one Demands in 1915, constituted a striking demonstration of the historical continuity of American Far Eastern policy. Its essential section declared that the American government "cannot admit the legality of any situation *de facto* nor does it intend to recognize any treaty or agreement entered into between those Governments [China and Japan], or agents thereof, which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, the independence, or the territorial and administrative integrity of the Republic of China, or to the international policy relative to China, commonly known as the open door policy; and that it does not intend to recognize any situation, treaty, or agreement which may be brought about by means contrary to the covenants and obligations of the Pact of Paris of August 27, 1928, to which treaty both China and Japan, as well as the United States, are parties."

The note was communicated in advance to the British and French Ambassadors, and the cooperation of their governments invited. London's cool reception of Secretary Stimson's move, however, blunted its force and confirmed Japan in the belief that there was no need to fear joint Anglo-American action. A British Foreign Office communiqué, published on January 11, emphasized Japanese assurances respecting the open door in Manchuria and indicated that, in view of these statements, "his Majesty's Government have not considered it necessary to address any formal note to the Japanese Government on the lines of the American Government's note." On the same day, an editorial in *The Times* stated that "in declining to address a communication to the Chinese and Japanese Governments on the lines of Mr. Stimson's Note, the British Government have acted wisely."

Colonel Stimson's further efforts to obtain a joint declaration from the Nine-Power Treaty signatories also met with no encouragement from the British Foreign Secretary, Sir John Simon. At this period, when American public opinion was stirred by the bombings of Shanghai, the most favorable opportunity existed for imposing effective measures of international restraint on Japan. The

opportunity was lost by the failure of Washington and London to see eye to eye at the crucial moment. Secretary Stimson fell back on a unilateral statement, made in a letter to Senator Borah on February 24, 1932, which recapitulated the historical development of the open door policy and reasserted American support of the principles underlying the Nine-Power Treaty. Transfer of the American fleet to the Pacific reinforced this *démarche*.

Secretary Stimson's letter to Senator Borah also contained an appeal for general support of the non-recognition doctrine which was directed, in effect, toward the approaching session of the League Assembly. At this meeting, on March 11, 1932, the Assembly approved a resolution which included a provision declaring it incumbent on League members "not to recognize any situation, treaty or agreement which may be brought about by means contrary to the Covenant of the League of Nations." Nearly a year later, on February 24, 1933, the Assembly adopted a report approving the recommendations of the Lytton Commission which obligated League members not to recognize Manchoukuo. The non-recognition doctrine, unsupported by more effective measures, was not able to undo the results of Japanese aggression in Manchuria. General acceptance of the non-recognition principle, nevertheless, prevented Japan from obtaining legal title to its gains and left the question open for ultimate re-examination. The reservation thus imposed was much stronger than the United States, acting alone and against the Allied powers, had been able to interpose during the World War.

After 1933, except for routine measures designed to apply the non-recognition principle to Manchoukuo, the broad issue of Japan's occupation of Manchuria was left in abeyance. League activities in the Far East were henceforth limited to certain technical measures of assistance to China's reconstruction. Political unsettlement in Europe, intensified by the rise of Nazi Germany, more than ever tied the hands of the League.

In the United States, the attention of the first Roosevelt Administration was centered on domestic issues arising under the New Deal. During this period American policy fell back on customary long-term methods of restoring the Far Eastern equilibrium. The principle of the non-recognition of Manchoukuo was maintained. On occasion, Japan's activities in China called forth additional reserva-

tions of American rights, notably in connection with state monopolies set up in Manchoukuo, the Amau Statement of April 18, 1934,<sup>7</sup> and the Japanese-sponsored "autonomy" movement in North China during the autumn of 1935. The establishment, on November 16, 1933, of diplomatic relations between the United States and the U.S.S.R. also contributed toward weighting the balance in the Far East. Perhaps the most significant development was the inauguration of an American naval construction program designed to reach treaty limits by 1942.

Collapse of naval limitation was directly associated with Japan's activities in Manchuria, which contravened the obligations of the Nine-Power Treaty. In the American view, as developed in Secretary's Stimson's letter to Senator Borah, the agreements reached at Washington were "interrelated and interdependent." The willingness of the United States to surrender its "commanding lead in battleship construction" and to leave its "positions at Guam and in the Philippines without further fortification" was predicated on the "self-denying covenants" of the Nine-Power Treaty. Under this interpretation the American government was logically entitled either to disavow the Washington naval treaties, or to demand an increased naval strength relative to that of Japan.

During the course of the naval negotiations at London in 1934-1936, however, neither Great Britain nor the United States showed any desire to take advantage of this strong position. Both countries were willing to maintain the existing provisions of the naval limitation treaties. Japan, on the contrary, proved unwilling to accept a continuation of the 5-5-3 ratio on which the limitations were based. On December 29, 1934 Japan denounced the Washington Naval Treaty. Two years later the limitations imposed by the naval agreements of 1922 and 1930 lapsed, including the important provision restricting fortification of Far Eastern naval bases.

Thus far the United States has made no effort to improve its naval position by the fortification of Guam; naval construction, however, has steadily progressed since 1934. Naval expenditure, aggregating nearly 600 million dollars in 1938, had approximately doubled in five years, and further expansion has occurred in 1939-1940. Once more, as in 1920-1921, a vast American naval construction program is designed to tip the balance against Japan in the Far East.

7. Cf. p. 20.

The underlying Japanese-American issues in China, which had been held in abeyance after 1933, reappeared in more acute form after the outbreak of large-scale hostilities between China and Japan in 1937. On October 6, 1937 the American government expressed its agreement with the League Assembly's report condemning Japan's military actions in China. In November the principles of the Nine-Power Treaty were reaffirmed at the Brussels Conference, although efforts by the signatory powers to induce Japan to accept mediation proved unsuccessful. During the early months of 1938, the State Department addressed repeated protests to Tokyo against violations of American treaty rights in the lower Yangtze Valley.

On October 6, 1938 the American government sent a lengthy note to Japan, containing a detailed summary of Japanese measures in China held to be in violation of the open door principle, including items affecting tariffs, exchange controls, export prohibitions, preferential restrictions, and the establishment of monopolistic companies. The note pointed out that no similar discriminations were practiced against Japanese trade and business enterprise in the United States, and concluded by requesting the Japanese government to take "prompt and effective measures" in securing discontinuance of the following acts:

- (1) Discriminatory exchange control and other measures imposed in areas in China under Japanese control which operate directly or indirectly to discriminate against American trade and enterprise.

- (2) Any monopoly or preference which would deprive American nationals of the right of undertaking any legitimate trade or industry in China, or any arrangement which might purport to establish in favor of Japanese interests any general superiority of rights with regard to commercial or economic development in any region of China; and

- (3) Interference by Japanese authorities in China with American property and other rights including such forms of interference as censorship of American mail and telegrams, and restrictions upon residence and travel by Americans and upon American trade and shipping.

Japan's reply, delivered on November 18, while deprecating any

intention of discriminating against the rights of American nationals in China, ended with the following unequivocal declaration of policy:

"It is the firm conviction of the Japanese Government that in the face of the new situation, fast developing in East Asia, any attempt to apply to the conditions of today and tomorrow inapplicable ideas and principles of the past neither would contribute toward the establishment of a real peace in East Asia nor solve the immediate issues.

"However, as long as these points are understood, Japan has not the slightest inclination to oppose the participation of the United States and other powers in the great work of reconstructing East Asia along all lines of industry and trade; and I believe that the new régimes now being formed in China are prepared to welcome such foreign participation."

This important diplomatic exchange on the basic issues at stake was concluded on December 31, 1938 by a second comprehensive American note, reaffirming the contentions previously expressed and restating the broad treaty grounds on which the position of the United States was based.

Until nearly the end of 1938, the American government had carefully refrained from taking any positive measures to reinforce its diplomatic protests. In June of that year, following the destructive Japanese bombings of Canton, the State Department had informally discouraged further sales of American bombing planes to Japan, and during the same month the Commerce Department had warned American exporters that it was advisable to obtain an irrevocable letter of credit before shipping goods to Japan. A stronger measure, however, was taken on December 15, when the Export-Import Bank placed a credit of 25 million dollars at China's disposal, while the Treasury announced that the facilities enabling China to obtain dollar exchange against the proceeds from the sale of its silver stocks had been extended. The sudden transfer of the fleet to the Pacific in April 1939 also indicated American concern over developments in the Far East.

By the spring of 1939 Japan's trade relations with the United States had become an important issue. During 1937-1938, out of total American exports to Japan valued at 528 million dollars, approximately 326 million had consisted of materials essential for

war purposes. In the Congressional session, considerable attention was centered on several bills seeking to place restrictions of some form on American trade with Japan. The issue reached its climax during July in the Senate Foreign Relations Committee, where, after Secretary Hull had expressed a desire to postpone immediate action on the embargo proposals, further consideration of such legislation was dropped. Shortly afterwards, however, on July 26, the American government served notice of denunciation of the Japanese-American commercial treaty, with a view to seeking reconsideration of certain provisions and "better safeguarding and promoting American interests as new developments may require."

Three months later, on October 19, the American Ambassador to Japan, Joseph C. Grew, delivered a frank address before the America-Japan Society at Tokyo. He declared that "American public opinion with regard to recent and current developments in the Far East is today very nearly unanimous," and that it "strongly resents some of the things which Japan's armed forces are doing in China today, including actions against American rights and legitimate interests in China." He concluded by stating that the "American government and people understand what is meant by the 'new order in East Asia,'" that "the new order has appeared to include, among other things, depriving Americans of their long established rights in China," and that "to this the American people are opposed." In this official declaration of the American position, the fundamental issue between the United States and Japan was clearly joined.

### III. DIPLOMATIC QUESTION MARKS

At the beginning of 1940 the local aspects of the Far Eastern situation had changed but little for more than a year. In the international setting of the Sino-Japanese conflict, however, a series of radical changes had occurred. The United States had terminated its trade treaty with Japan. Conclusion of the Soviet-German non-aggression pact had destroyed the effectiveness of Japan's entente with Germany and Italy, particularly as a check against the U.S.S.R. The outbreak of war in Europe had restricted sources of war supplies, raised their prices in the world market, and increased Japan's dependence on the United States. On the whole, Japan's international position had markedly deteriorated as a result of these events.

Concentration of its economic resources on the war in China prevented realization of any large gains in export trade, which might otherwise have accrued from the European conflict. Britain and France were still further preoccupied in Europe, but this factor was more than counterbalanced by the stronger influence wielded by the United States and the Soviet Union in the Far East.

The diplomatic *volte face* made by Japan in September 1939 was striking testimony to the changed aspect of the international situation. It was motivated, in the first instance, by the Soviet-German treaty of August 23, which drastically reshuffled the Far Eastern diplomatic alignment of recent years. After November 1937, when Italy associated itself with Germany and Japan in the anti-Comintern pact, the activities of these powers had often seemed to follow prearranged plans. Aggressive moves in Europe and the Far East coincided with a suspicious degree of regularity. In China the blows fell mainly on Britain, France and the United States, but along Manchoukuo's borders Soviet-Japanese hostilities had also assumed considerable proportions in 1938 and 1939. Although the interests of the Western powers and the U.S.S.R. were equally menaced, no common measures to cope with Japan's advance had been achieved. Striking first on one front and then on the other, Japan had managed to keep its opponents divided, while profiting from the diversions created by the Rome-Berlin axis in Europe.

Repercussions of the Soviet-German pact were immediately apparent in the Far East. No longer able to count on German help, Japan suddenly found itself isolated and ringed by enemies of its own creation. It was engaged in diplomatic struggle with Britain over issues at Tientsin. A month earlier the United States had abrogated the Japanese-American trade treaty. On the Outer Mongolian frontier, Japan was locked in severe military conflict with the Soviet Union. The weight of these commitments was too heavy to be borne without international support from any quarter.

An abrupt turn in policy was carried through at Tokyo. Under a new Cabinet, headed by General Abe, Japan moderated its attitude of hostility toward Britain, sought to conciliate the United States, and began an era of improvement in its relations with the U.S.S.R. by concluding a truce to the border hostilities. These shifts were rapidly effected over a period of barely three weeks, and had been completed by September 15. During the months that have since intervened, Japanese diplomacy has consistently adhered to

these broad lines of action. It would be a mistake to label Japan's new policy as "appeasement," or to conceive of it in terms of a full retreat. For Japan has not in the least abandoned its fundamental objective—creation of a new order in the Far East. It has merely tempered policy to the growing difficulties of its position, hoping that these may prove but temporary obstacles in its course.

Japan's current program of diplomatic retrenchment and moderation, while still giving way on none of the fundamentals, is relatively easy to define. The attitudes and policies of the other major Far Eastern powers are much more difficult to assess. Uncertainty over the European war is indicated by the hesitation evident in the Far East. Against a new international background, Britain, France, the Soviet Union, and the United States are feeling their way forward in the Pacific. The positions taken by these powers constitute a series of diplomatic question marks.

#### BRITAIN AND FRANCE

In the Far East, as in Europe, British and French policy has moved along parallel lines during recent years. Now that France and Britain are closely allied in a renewed European conflict, it may be expected that their policies in Asia will more than ever tend to coincide.

Throughout the Far Eastern conflict, Britain and France have maintained a careful balance between the respective claims of the two undeclared belligerents, China and Japan. In certain restricted spheres the help they have rendered China has been of considerable value. For nearly fifteen months, until the fall of Canton in October 1938, China's main avenue of communication with the outside world lay through Hongkong. During this period large stocks of munitions, transshipped from Hongkong, moved northward along the Canton-Hankow Railway to the Chinese bases in the Yangtze Valley. Even today Hongkong is a distributing center for military supplies, which are smuggled into China by devious routes. The French railway from Indo-China into Yunnan province, despite occasional bureaucratic obstructions and vexatious delays, has also served as an important Chinese supply route. After the loss of the Canton-Hankow supply line, moreover, the Chinese government secured the cooperation of the Burmese authorities in establishing the Yunnan-Burma highway, another of China's strategic trade

routes. Anglo-French policy has thus been instrumental in helping to maintain China's indispensable contacts with the outside world.

Early in 1939, following the lead of the United States, the British government underwrote a £5 million loan to the Chinese government by a group of British banks. An equivalent amount was advanced by Chinese banks, and the funds thus secured were used to support the exchange value of the Chinese dollar. In addition, Great Britain has extended export credits of £500,000 for the purchase of railway materials and other supplies by China, while France has rendered similar assistance to certain railway projects in the southwest.

On the other hand, even before the outbreak of the European war, Britain and France had made several damaging concessions to Japan. No more than formal protests were registered against Japanese occupation of Hainan and the Spratly Islands, despite strategic implications for the Anglo-French position in southeast Asia. In May 1938 the British authorities accepted an arrangement under which the proceeds of the Chinese customs were henceforth deposited in the Yokohama Specie Bank. By a technicality, arising from China's unwillingness to recognize this agreement, the Japanese government has since evaded payment of the loans secured on these customs revenues. Again, in July 1939, following the Japanese blockade of the Tientsin Concessions, the British Ambassador to Japan signed a "formula" with the Tokyo authorities, by which Britain recognized the "special requirements" of the Japanese army for maintaining order in the occupied areas of China. While the ultimate effects of this agreement did not prove as serious as had been anticipated, largely as a result of the American action in denouncing the trade treaty, it amounted to a tacit recognition of the legitimacy of Japan's occupation of Chinese territory.

In recent months, facing the exigencies of the war in Europe, Britain and France have found it even more difficult to maintain their previous attitude toward the Far Eastern conflict. Most of the British and French troops formerly stationed in North China have been withdrawn, while ten of the thirteen British gunboats have been taken off the Yangtze River. Up to the present, these moves have amounted to little more than gestures of good will toward Japan. Yet they raise a series of important diplomatic questions. Would Britain and France be willing to buy temporary security in Asia through a compromise agreement with Japan?

Would such a policy be carried out in the face of strong opposition from the United States? Or would it take the form of a secret treaty that would eventually confront the United States with a *fait accompli* in the Far East?

#### THE SOVIET UNION

Nearly three years elapsed between signature of the German-Japanese anti-Comintern pact in November 1936 and conclusion of the Soviet-German pact in August 1939. During this period relations between Japan and the U.S.S.R. had progressively deteriorated. In December 1936 the Soviet Union refused to ratify a long-term fisheries convention, favorable to Japanese interests, which had been drafted following lengthy negotiations. Thereafter renewal of the existing convention occasioned sharp conflicts at the end of each successive year. Trade between the U.S.S.R. and Japan steadily declined. In 1936 the total Soviet-Japanese trade turnover had been valued at 53 million yen; in 1939, it fell to a few hundred thousand yen. Border hostilities increased in scope and duration. In the spring of 1937, a brief clash occurred on the Amur River; in the summer of 1938, large-scale hostilities raged for two weeks at Changkufeng; from May to September 1939, a miniature war took place on the Outer Mongolian frontier.

During recent years, on the other hand, Soviet relations with China have been marked by increasing cordiality. In August 1937, at the outset of the Sino-Japanese war, the U.S.S.R. had concluded a non-aggression pact with China. Later this pact was implemented by several barter-and-loan agreements, the most recent of which, for the amount of 140 million dollars, was announced in August 1939. Under the terms of this agreement, it is estimated, China has been securing two-thirds of its imports of munitions during recent months.

A new trend, however, has developed in Soviet-Japanese relations since September 15, 1939, when a truce to the fighting on the Manchoukuo-Outer Mongolian frontier was signed. On December 31 the Soviet Union extended its fisheries treaty with Japan for another year; in return Manchoukuo made its long deferred final payment to the U.S.S.R. for the Chinese Eastern Railway. Even more significant, it was announced at the time that negotiations for a long-term fisheries convention would be concluded

during 1940. The new Soviet Ambassador at Tokyo, the first high Soviet diplomatic official to reside in Japan for more than a year, is himself an expert on the fisheries question, and presumably was chosen in order to handle the discussions over the convention. Early in January, finally, negotiations for a general Soviet-Japanese trade pact were begun at Moscow.<sup>8</sup>

Soviet aid to China has not ceased during this period, and there is no evidence that the Soviet government intends to give up such aid in order to win concessions from Japan. On the contrary, Japan's weakness has induced Tokyo to meet most of the demands which the U.S.S.R. has advanced. As a result, Soviet-Japanese relations are gradually being restored to a more normal basis. This development, in itself, offers sufficient ground for a number of questions. Is a Soviet-Japanese political agreement, perhaps a non-aggression pact, likely to be concluded in the near future? Would such an agreement involve an attempt to bring the conflict between Japan and China to an end? Or would it merely be designed, from the point of view of the Soviet Union, to forestall a compromise settlement between the Western powers and Japan?

#### THE UNITED STATES

In several important respects, the United States holds the key position in the Far Eastern conflict. It possesses greater freedom of action than any of the other major powers. The American market furnishes the major share of the imported war supplies which are indispensable to the prosecution of Japan's campaign in China. Finally, by abrogating its trade treaty with Japan, the United States has prepared the way for effective action.

For nearly three years the American government has displayed special restraint in the conduct of its Far Eastern policy. During this period Japan has moved steadily toward establishment of a monopolistic position in China's trade and industry. From the United States Japan has meanwhile obtained, year by year, more than half of its imports of materials essential for war purposes. Aside from the "moral embargo" on the shipment of war planes to Japan, recently extended to include equipment for the production of avia-

8. One minor setback to this development has occurred. On January 31 it was announced at Tokyo that the joint boundary commission had "found it impossible to reach an agreement" and had been dissolved.

tion gasoline, no restrictions have been placed on this trade. Its volume has considerably increased since the outbreak of war in Europe, while an even greater increase has occurred in the proportion supplied by the United States relative to other countries.

Following denunciation of the Japanese-American trade treaty in July 1939, tentative approaches toward specific consideration of differences between the two countries have been made through diplomatic channels. Ambassador Grew's speech at Tokyo in October served to initiate exploratory conversations between the two governments. Japan's efforts, it soon became evident, were limited for the time being to achievement of a single objective: renewal of the trade treaty in some form, even if only through a formal *modus vivendi*. The concessions it was prepared to make with this end in view were of the most minor character. After several conversations with Ambassador Grew, the Japanese Foreign Minister had merely indicated that certain American claims for compensation would be adjusted, and that at some future date the lower Yangtze River would be opened to foreign shipping under certain restrictions. This offer was obviously unsatisfactory to the United States, even from the limited angle of securing due respect for the rights of American nationals in occupied China.

As the time for expiration of the treaty drew near, Japan made efforts at Washington to obtain concrete assurances on the future status of trade relations. On January 23 the State Department informed the Japanese Ambassador, after special inquiry by the latter, first that the possibility of an exchange of notes defining the status of trade relations would be "held open" and presumably form part of the diplomatic conversations at Tokyo; secondly, expiration of the treaty would not of itself bring about changes in import duties or tonnage rates, but commercial relations for the future would "depend upon developments"; thirdly, Japanese merchants would be permitted to enter the United States as alien visitors, and could apply for visa renewals each year.

Under these conditions, expiration of the treaty has in practice led to no change in the normal status of trade relations between Japan and the United States. In the absence of a commercial treaty, these relations are continuing on a "day-to-day" basis under the ordinary provisions of domestic and international law. They can be altered only through affirmative action by Congress or the President. All the decisive issues with respect to American policy

in the Far East are thus still open to determination. Will the conversations now taking place at Tokyo lead to an agreement? What terms will the American government be prepared to accept as satisfactory? If no agreement is reached, will limitations be placed on Japan's access to the American market?

#### IV. CAN A SETTLEMENT BE REACHED?

The uncertainties of the diplomatic struggle now proceeding in the Far East are mirrored by Japan's anomalous position. At Tokyo the lines of Anglo-French, Soviet and American policy cross, and are modified by interaction. Japan is a present foe, as well as a potential friend, to the Western powers and the U.S.S.R., whose attitudes are further modified by military developments in Europe.

If the European war continues, and especially if it is intensified, the prospects of a settlement in the Far East are likely to diminish. The degree of interaction between the conflicts in Europe and Asia would probably increase, and might become so powerful as to lead to the merging of both into a second world war. So long as this does not take place, however, the possibility of a Far Eastern settlement remains open. The growing exhaustion of the two belligerents in Asia already constitutes a strong invitation to mediation or intervention by the outside powers.

Given the complexities of the war in China, and the number of different powers concerned with it, wide variations might exist in the precise terms of any settlement. A peace concluded by outside mediation might tend to underwrite Japan's newly won position, or it might afford China full promise of national independence. Viewed in the light of the policies now being pursued by the Far Eastern powers, three broad alternatives would seem to stand out as the likely methods of approach to the problem. The first would be a compromise arrangement between the Western powers and Japan, giving the latter at least the substance of its avowed objectives in China. The second would be a settlement enforced through joint action of Japan and the Soviet Union. The last would be a return to the open door system, under such modifications as might prove necessary, with the United States taking the lead. The nature and sponsorship of these alternatives vary widely; so also would their results.

During recent months Japan has been attempting to lay the groundwork for a compromise settlement with the Western powers, under terms which would enable it to secure the maximum advantage from its present gains in China. A stellar rôle in these plans is reserved for the newly established government of Wang Ching-wei. Japan apparently hopes that the terms which it extends to this régime can be made to seem so lenient that the Western powers would be able to recognize it.<sup>9</sup> Recognition, however, would not be absolutely necessary. Japan could offer the Western powers a *de facto* position in the territory controlled by the Wang Ching-wei régime. Much room for bargaining would exist, particularly as regards the scope of the economic rights accorded Western nationals in occupied China. The ultimate effects of such an arrangement would differ little from an outright diplomatic recognition of the Japanese-sponsored government.

Formidable obstacles stand in the way of this program. None of the Western democracies has yet recognized Manchoukuo. It would be even more difficult for them to recognize a puppet régime, similarly constituted, that ruled over large areas of China proper. On the other hand, Britain has recently made friendly overtures to Japan. On March 28 the British Ambassador at Tokyo, Sir Robert Craigie, declared before a gathering of Japanese notables that Britain and Japan "ultimately are striving for the same objective, namely, a lasting peace" and that it was possible "to bring the aims of their national policies into full harmony."<sup>10</sup> But Japan—and the Anglo-French coalition—would still have to reckon with the United States. American public opinion would probably disapprove of an appeasement program in China more strongly than it did in the case of Czechoslovakia.

The real difficulties of this type of compromise arrangement would emerge only after it was completed. It would not bring the war in China to an end. The new Wang Ching-wei régime would have no dependable armies of its own; it could neither unify the country

9. Terms revealed in January by two deserters from Wang's camp were, in reality, exceedingly onerous. For text of this disclosure, cf. *Amerasia*, February 1940, pp. 542-48.

10. On February 29, moreover, M. Daladier, then Premier, was reported as stating to a Japanese newspaper correspondent that negotiations with Japan envisaging French recognition of Manchoukuo would be started shortly. *The New York Times*, March 1, 1940.

nor maintain public order. Japanese troops would have to continue the war. Nationalist China and the Soviet Union would both be opposed to the agreement. China would feel that it had been betrayed by the Western powers, while the U.S.S.R. would suspect that an anti-Soviet front was being created in the Far East. They would probably join hands against Japan, and thus render the latter's position in China more insecure than ever. If the Western powers then came to Japan's aid, the Far Eastern war would merge with the European conflict. Instead of a local settlement in the Far East, a larger and more threatening conflict would have resulted.

#### A SOVIET-JAPANESE PACT?

Current Soviet policy in the Far East is apparently directed toward warding off the dangers, imagined or real, of a possible agreement between Japan and the Western powers. The improvement in Soviet-Japanese relations since last September reflects the seriousness with which the U.S.S.R. views the problem. Carried to its logical conclusion, this process would seem to call for a political agreement between Japan and the U.S.S.R., analogous to the Soviet-German pact.

The difficulties standing in the way of such an arrangement seem at the moment insuperable. Within Japan, during recent months, only the army extremists have tended to advocate an entente with the U.S.S.R. Foreign Minister Arita expressed the official Japanese attitude on February 1, when he declared before the Diet that Japan still adhered to the anti-Comintern pact. Agreement on the future status of China could not be easily reached. The Soviet Union would be likely to consider any settlement which left Japan in possession of large areas of China as a threat to its own security. Finally, the United States and the British Empire control the overwhelming proportion of Japan's foreign trade, both in exports and imports. Expansion of Japan's trade with the Soviet Union, even on the most optimistic estimates, would hardly compensate for the possible loss of the British and American markets. And if Germany were included in the new combination, the economic problem would still not be solved. Huge as this bloc would be, the raw material resources at its command would hardly suffice to cover the needs of German, Soviet and Japanese industry.

To meet these last two difficulties, it has been suggested that Japan might consent to the establishment of an independent China,

tioned in with a German-Soviet-Japanese bloc by economic agreements. After withdrawing its troops from the Asiatic mainland, Japan could then divert its expansionist energies to southeast Asia, where richer sources of raw materials are to be found.

A Far Eastern settlement on such a basis would not be likely to dispel the existing antagonisms in that region. It would be achieved at the expense of the Western powers, which would rapidly lose their influence in China and might eventually face a threat to their colonial possessions in Asia. Formation of a German-Japanese-Soviet bloc would mean the choosing of sides on a world scale. Like a Far Eastern Munich, it would probably herald an extension of the present scope of hostilities.

#### A RETURN TO THE "OPEN DOOR"?

Compromise agreements with Japan, effected either by the Western powers or the Soviet Union, would not only tend to accentuate the conflicts of policy which now exist among the Far Eastern powers. They would also lead to wide breaches in the traditional framework of the open door system. An eventual return to the treaty basis established by the Washington Conference, which the United States has consistently supported, would be further jeopardized.

The strategic position held by the United States, combined with Japan's growing weakness, enables it to keep open the possibility of an effective reapplication of the principles which have governed American Far Eastern policy. While Japan shows no intention of renouncing the effort to establish a new order in East Asia, at least in its officially declared policy, its military-economic difficulties are steadily increasing.

In March 1940 the Export-Import Bank granted a new loan of 20 million dollars to China, but there was no indication that the United States intended to bring real economic pressure against Japan. The Treasury Department had made no move toward applying countervailing duties or tonnage levies on Japanese imports, and the Congressional committees had not yet reported out any of the several embargo proposals made by Senate and House members. Conversations on Japanese-American issues were meanwhile being conducted through ordinary diplomatic channels. Information as to the scope of the problems under discussion at Tokyo between Ambassador Grew and the Japanese authorities had not been divulged.

The limited question of the treaty rights of American nationals in occupied China had been partially explored, but the broader issues involved in a general Far Eastern settlement had apparently not yet been raised.

A large majority of the American public, according to a survey released on February 14, 1939 by the Gallup Institute, favors imposition of a ban on the sale of war materials to Japan.<sup>11</sup> Nevertheless, sharp divergences exist as to the effects which might follow adoption of firm measures by the United States. A strong minority believes that resort to economic pressure would necessarily lead to retaliatory steps by Japan, and that risk of war could not be safely discounted under such circumstances. On the other side it is argued that Japan, already bogged down in China, could hardly afford to challenge the United States, particularly if it were at the same time deprived of access to the American market.

Opponents of drastic measures against Japan also assert that such action would tend to increase the possibility of a political rapprochement between Japan and the Soviet Union. Against this claim, however, it is maintained that the U.S.S.R. has a vital stake in the success of China's struggle, evidenced by the extensive assistance being rendered in the form of military supplies, and that in this respect it has a common ground of interest with the United States. The Soviet Union's efforts to improve relations with Japan, it is held, are essentially motivated by fear that the Western powers will accept, partially at least, Japan's efforts to establish its control over China. If these contentions are sound, the adoption of a firm and unequivocal American policy toward Japan would tend to reassure the Soviet Union. Once the policy were applied, it would undoubtedly receive the support of Britain and France. The present dangers of a race among the powers to strengthen their separate diplomatic positions at Tokyo would thus be considerably lessened, and the possibilities of concerted action in favor of a fundamental settlement of Far Eastern issues increased.

The most crucial question in current Far Eastern diplomacy, in any case, comes at this point. If unified action by the major Far Eastern powers can be secured, there is at least the opportunity of bringing about a local settlement. If, on the other hand, Japan can keep the powers divided, and play one against the other, the danger

11. Of those voting, 75 per cent were in favor and 25 per cent opposed. Only 6 per cent of those polled had no opinion.

that the Sino-Japanese conflict will extend beyond its present narrow limits will continue to exist.

#### ESSENTIALS OF A PEACE SETTLEMENT

Whatever the outcome of the immediate struggle in the Far East, the problem of establishing sound bases for an enduring settlement would still remain. Certain minimum essentials would be required. The open door system would have to be modified in several important respects. A return to the *status quo ante* in China today is no more possible than it was in the case of the Manchurian question in 1932, when the Lytton Commission submitted its report to the League. Two broad modifications are required—one assuring China the full exercise of its sovereignty, and the other making adequate provision for Japan's economic needs.

Complete restoration of China's territorial and administrative integrity is a basic necessity for the return of peace to the Far East. The forces of Chinese nationalism have grown too strong to permit of a *pax Japonica* in East Asia. *Terra irredenta* in China would mean continued unsettlement and strife. Certain remaining limitations on China's sovereignty, which formed part of the open door system, would have to be removed. Revival of equality of commercial opportunity in China, following settlement of the Sino-Japanese conflict, would require the establishment of a fully independent Chinese state, which has not existed since 1842. The Western powers, as well as Japan, would have to contribute to this end.

The first step along this path was taken in 1930, when tariff autonomy was restored to China. In 1931, moreover, both Great Britain and the United States were prepared, under certain conditions, to consent to the abolition of extraterritoriality. As one essential of a constructive Far Eastern settlement, the Western democracies should now be prepared to carry these initial moves to their logical conclusion. Three main items would be involved: abolition of extraterritoriality, rendition of the concessions and settlements to Chinese jurisdiction, and withdrawal of troops and gunboats from China. A method for establishing these principles of action on a practical basis, even before the conclusion of Sino-Japanese hostilities, is suggested by the precedent of the Sino-American tariff reciprocity treaty of 1928.<sup>12</sup> France, Britain and the United States

12. Cf. pp. 26-27.

could negotiate treaties with the Chinese government, pledging their intention of carrying out the above measures as soon as all other foreign powers assented. The *bona fides* of the Western powers, in this important issue, would thereby be established in the eyes of both China and Japan. Evacuation of occupied China by Japanese troops would then become merely one of the steps, even if the most important, leading to establishment of a fully independent China.

The second basic modification of the open door system required under present circumstances would be the offer to Japan of the maximum economic guarantees within the power of the Western democracies to grant. An essential item would be a new Japanese-American trade treaty. Of itself, such a treaty would not constitute an economic concession to Japan, although its value would be enhanced by the fact that the old treaty has been abrogated. To have positive worth, the new treaty could take the form of a reciprocal trade agreement, liberalizing tariff rates on Japanese goods wherever practicable. At the outset it would probably have to be supplemented by foreign credits, which would aid Japan in solving the difficult problem of readjusting its wartime industry to peace-time production for export. The Western democracies should further assure Japan of freer access to their colonial markets, including the Philippines as well as the British, French and Dutch colonies. The United States might also have to extend its good offices for the negotiation of a Sino-Japanese trade pact, providing for the fullest possible freedom of exchange for Chinese and Japanese goods. A long-standing injustice would be removed by the repeal of the Exclusion Act, and the placing of Japanese immigration on a quota basis. These various measures would probably have to be buttressed by a security agreement, at least of regional application, as well as an international organization of the Pacific countries established on a permanent basis.

All the major Far Eastern powers would have to underwrite the costs of such a settlement. These costs, it is obvious, would involve heavy sacrifice, and the United States would have to shoulder a considerable share of the burden. Any approach toward a Pacific settlement less comprehensive in scope, however, would not hold out the promise of lasting stability and peace. Unless a determined effort in this direction is soon made, the growing struggle among the powers in the Far East threatens to assume much sharper forms.



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